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SUBJECT: FAO BUDGET CHIEF PROVIDES DETAILS OF REVISED BUDGET REQUEST,
INCLUDING TREATMENT OF REFORM COSTS

REF: STATE 84087 (NOTAL) - DEMARCHE ON FAO PWB

¶1. (U) This message is sensitive but unclassified. Please handle accordingly.

¶2. (SBU) Responding to concerns voiced by the U.S. and other Rome-based missions over the FAO's latest budget request during a recent meeting of the Finance Committee (septel), FAO Management revised its draft biennial Program of Work and Budget (PWB). On August 12, FAO Budget Chief Boyd Haight briefed Charge and A/DCM on expected adjustments to the PWB including modalities for funding the organization's reform package (the Immediate Plan of Action, or IPA). Revisions are expected to include a reduction of IPA costs from approximately USD 60 million to USD 38 million, as a result of revised assumptions, tighter scope and longer phasing for some items. Rather than including only 20 percent of IPA costs under member assessments ("net appropriation") as in the first draft, the revised PWB will include half the IPA costs (i.e., half of USD 38 million) under the net appropriation, with the remainder in a "core voluntary" column funded by extra-budgetary contributions (Note: During last month's 128th session of the Finance Committee, the U.S. Vice Chair argued strenuously for all IPA costs to be covered under member assessments in order to share responsibility across the membership. This was echoed by EU colleagues, while G-77 members remained largely silent on the matter. End note).

¶3. (SBU) Haight said this was as far as DG Diouf was willing to go, and that he would not propose any increase to the proposed net appropriation beyond the USD 995.9 million requested (a 7-plus percent increase from USD 929 million in the 2008-09 budget). It was now "up to the membership to determine how to proceed," he added. The revised documentation would be first approved by the Director General on August 13, and then translated and distributed on or about August 31. A Special

Session of the Finance Committee is expected to meet on September 18, at which point Management will likely seek Member endorsement of its revised PWB, ahead of a late-September Council meeting. The November Conference will approve a final biennial PWB and adopt the necessary budget resolution.

14. (SBU) On the issue of comparability between the old FAO budget format and the new results-based budgeting model, Haight said the revised PWB would contain additional information on programmatic assumptions and details on how funds are to be distributed among programs and administration. In addition, six or seven "Information Notes" will be prepared for Members to help clarify specifics of where costs and savings are drawn from. Haight said the revised PWB will contain no reference to a "maintenance" budget (having drawn negative responses from many Members, including the U.S., during Finance Committee), and only one draft Budget Resolution containing 19 chapters broken down as follows: 11 Strategic Objectives, two Functional Objectives, and chapters for the FAO-Representatives program, the Technical Cooperation Program, "contingencies," capital expenditures, security expenditures, and a transfer to the Tax Equalization Fund.

15. (SBU) Comment: These assertions and figures are consistent with what was shared with the Charge by FAO Deputy DG Butler on August 6, and in a separate discussion with A/DCM on August 11. It will now be up to members to negotiate an appropriate budget level. A key item will be the treatment of IPA costs, either included fully under the net appropriation (e.g., assessments)

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or partly funded via voluntary contributions (also subject to a seven percent service/administration fee). Given the current global financial crisis, we expect there will be less cohesion among the G-77 than in previous budget cycles, since many will not want to see their respective assessment increased. Haight noted that ongoing discussions in New York on the UN scale of assessments may impact views of several large developing countries (e.g., Brazil, whose percentage share may increase). In addition to our OECD colleagues, we may want to consider close coordination with China, India, Mexico, South Africa, Egypt and other key regional leaders whose views can strongly impact their regional partners. End comment.
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